

ALABAMA DEPARTMENT OF REVENUE
Recipient's Share of Capital Credit

For the tax year beginning _____, 19____ and ending _____, 19____.

THIS FORM MUST BE ATTACHED TO RECIPIENT'S INCOME TAX RETURN TO RECEIVE THE CAPITAL CREDIT AVAILABLE.

THE CAPITAL CREDIT AVAILABLE TO RECIPIENT WILL BE DISALLOWED IF FORM K-RCC IS NOT ATTACHED.

NOTE: If the project is a joint venture, lines 4 and 7 will be completed by the recipient and lines 1-3, 5 and 6 will be completed by the project entity or distributing entity. If the project is not a joint venture, the project entity must complete lines 1-7 and the recipient's percentage of allocation will be 100%.

Project No.: _____ Recipient's Name: _____ FEIN or Soc. Sec. No.: _____

Address: _____

City: _____ State: _____ ZIP: _____

Project Entity: _____ Telephone No.: () _____

Address: _____

City: _____ State: _____ ZIP: _____

1. Total project income allocated to Alabama.	1		
2. Recipient's percentage (%) of allocation	2		%
3. Recipient's Share of Project income in Alabama (multiply line 1 by line 2)	3		
4. Recipient's Alabama Tax Liability generated by Project income: <input type="checkbox"/> With/without method <input type="checkbox"/> Allocation method	4		
5. Capital Credit Available for this Tax Year.	5		
6. Recipient's Share of Capital Credit Available for this Tax Year (multiply line 5 by line 2)	6		
7. Capital Credit Eligible to be applied to recipient's tax liability (enter the lesser of line 4 and line 6)	7		

Under penalties of perjury, I declare that I am duly authorized to complete this form and to the best of my knowledge and belief, the project was throughout the period for which the capital credit is claimed in compliance with the conditions required to be met in order to qualify the project for the capital credit and the sum of all capital credits utilized to date when added to the capital credit claimed in the current return, do not exceed the capital costs of the qualifying project. I understand that if this affidavit is not fully executed, completed, and notarized this credit will be disallowed by the Alabama Department of Revenue.

Signature of Recipient:

SWORN TO AND SUBSCRIBED before me

Signature: _____

this _____ day of _____, 19____.

Notary Public (seal also required)

Instructions For Preparing Recipient's Share of Capital Credit (Form K-RCC)

If the recipient is a distributing entity (e.g. S corporation, partnership, LLC, etc.) which receives a share of the capital credit from the project and will allocate the portion it has received to its shareholders, beneficiaries, partners, etc.), please follow the instructions for a distributing entity. All recipients applying the credit to their Alabama income tax liability should follow the recipient's instructions.

Recipient's instructions for Form K-RCC

Lines 1-3 – To be completed by the project entity or distributing entity.

Line 4 – Compute the recipient's Alabama tax liability generated by project income. This may be computed using either a) with/without method or b) allocation method.

Please check the box indicating which method the recipient has chosen to compute their Alabama tax liability generated by project income.

With/Without Method

Step 1 – If the with/without method is chosen, you must complete two **federal** income tax returns through the tax liability line. The return to be filed with the Internal Revenue Service should include the income from the project operations. A second return must be completed through the tax liability line but should not include the project income in Alabama. Any deductions limited by the amount of adjusted gross income such as the standard deduction, medical expenses, and contributions must also be adjusted in the second return before computing the tax liability. The federal income tax deduction related to the project income in Alabama is the difference in the amount shown on the return to be filed and the second return. If this taxpayer is a member of a group which files a consolidated federal income tax return, the federal income tax attributable to the project is the increase in the federal income tax apportionable to Alabama based on Alabama taxable income with and without project income.

Step 2 – Once you have completed the federal returns, you must complete two **Alabama** income tax returns through the tax liability line. The return to be filed with the Alabama Department of Revenue should include the income from the project operations. A second return must be completed through the tax liability line but should not include the project income in Alabama. Any deductions limited by the amount of adjusted gross income such as the standard deduction, medical expenses, and contributions must also be adjusted in the second return before computing the tax liability. The applicable federal income tax deduction should be indicated from the federal returns completed in Step 1. The Alabama tax liability generated by the project income in Alabama is the difference in the amount shown on the return to be filed and the second return. If this taxpayer is a member of a group which files a consolidated Alabama income tax return, the Alabama income tax attributable to the project is the increase in the Alabama income tax apportionable to

Alabama based on Alabama taxable income with and without project income. **The second returns should be maintained for audit purposes and are not to be filed with the first returns.**

Allocation Method

If the allocation method is chosen, the recipient should complete the allocation schedule at the bottom of this page and multiply the **Alabama** income tax liability on their **Alabama** income tax return by percentage of allocation on line 3.

Lines 5-6 – To be completed by the project entity or distributing entity.

Line 7 – Enter the lesser of line 4 and line 6. This is the amount of capital credit eligible to be applied to the recipient's Alabama income tax liability.

Distributing Entity Instructions for Form K-RCC

A distributing entity is an entity (e.g. S corporation, partnership, LLC, etc.) which receives a share of the capital credit from the project and will allocate the portion it has received to its shareholders, beneficiaries, partners, etc. To allocate the income and capital credit to its recipients the distributing entity shall complete a Form K-RCC for all recipient's and follow the instructions listed below. **NOTE:** *If the distributing entity is an S corporation or an estate/trust, the entity may apply part or all of the credit to its income tax return liability and distribute only the remaining credit. If only part of the capital credit has been applied, attach a computational schedule showing the amount of capital credit and related income utilized and how the remaining distributive share was computed. The amount applied to the tax liability of an S corporation or an estate/trust shall not be distributed to the shareholders or beneficiaries.*

Line 1 – Enter the income apportioned to the Project in Alabama from **Form K-RCC** (issued to distributing entity), line 3. This is the distributing entity's share of income from the project in Alabama to be distributed to its recipients.

Line 2 – Enter the recipient's percentage of allocation.

Line 3 – Multiply line 1 by line 2. This is the amount of project income that is distributed to the recipient.

Lines 4 – To be completed by the recipient.

Line 5 – Enter the amount of capital credit available to the project for this tax year from **Form K-RCC** (issued to distributing entity), line 6.

Line 6 – Multiply line 5 by line 2. This is the recipient's share of the capital credit available for this tax year.

Line 7 – To be completed by the recipient.

Allocation Schedule

- | | |
|--|----------|
| 1. Recipient's Share of Project Income in Alabama From Form K-RCC, line 3. | \$ _____ |
| 2. Recipient's Total Income (from recipient's Alabama income tax return: C corporation – Form 20C, line 11; Sole proprietorship – Form 40, line 12 or Form 40NR, line 12; S corporation – Form 20S, Schedule E, line 7; or Trust – Form 41, line 5). | \$ _____ |
| 3. ALLOCATION PERCENTAGE Divide line 1 by line 2. | _____ % |

NOTE: *If line 1 is greater than line 2 or line 2 is a loss, then the allocation percentage in line 3 is 100%.*